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Subject RE: TEFRA QUESTION

There is only one statute of limitations, section 6501, that runs from the date the actual taxpayer (husband and wife in this case) file a tax return. Section 6229 does not provide a separate statute of limitations for partnership items, but just provides a minimum period during which no partner's section 6501 statute can expire. The agent for the partners, the TMP, can extend the period for assessing tax attributable to partnership items for all partners. Alternatively, instead of acting through this agent, each separate partner can extend the statute for himself/herself/itself. Thus, if TEFRA applies, a TMP could extend the statute for the husband/wife, or they can do so for themselves using a Form 872 that specifically references partnership items as required by section 6229(b)(3). The current version of the Form 872 (rev. 2009) does this.

A grantor trust is not a taxpayer and probably does not file a tax return. Under your facts it appears to be a disregarded entity. So there seems to be no point in having it execute a separate agreement. If you have another 1 percent partner, you can get a Form 872 from that partner as well.